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THE WORLD BANK  
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McNamara Papers

Chronological file (incoming)  
1979 (Jul. - Aug.)

The World Bank Group  
**Archives**



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Chronological files (incoming) - Chrons 24

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WBG Archives

Mr. Mo Namara

494/14/30



August 20, 1979

His Excellency  
Sheikh Mohammed Abalkhail  
Minister of Finance and National Economy  
Riyadh, Saudi Arabia

Dear Sheikh Mohammed Abalkhail,

9/4  
It was a great pleasure to meet with you in London on June 12, 1979. To follow up on our conversation at that meeting about the progress achieved in the IDA VI Replenishment negotiations, allow me please to attach herewith copy of my Report on the third meeting of IDA Deputies which was held in Brussels on June 19, 1979. At the end of that meeting, and on the basis of the progress achieved in the course of the discussions, I distributed to all the Deputies a consultation note (Annex 1, p. 23 of my Report). The consultation note highlights the following principal points:

- (a) an emerging consensus towards a total replenishment level of \$12.5 billion, or about SDR 10 billion;
- (b) that the shares of 20 out of the 26 contributors to IDA V would remain essentially the same in the Sixth Replenishment as they were in the previous Replenishment; and
- (c) an ad hoc rearrangement of shares limited mainly to the U.S., Canada, Sweden, Germany and Japan.

I also distributed a table for consultation purposes indicating the shares and amounts of the contributors based on the above three points. I emphasized that the shares and amounts shown in that table (attached to the consultation note on p. 25 of my Report) were purely illustrative and do not purport to represent commitments by the Deputies. They were not meant to imply that any contributing country had entered into any commitment. I clearly indicated that the purpose of the document was for consultation and for providing numbers which the Deputies could take back to their authorities and on which they could give me their reaction over the summer and by the time of the next meeting, which will be held in Dubrovnik after the forthcoming Bank/IMF Annual Meetings in Belgrade.

I expect that meeting to be the final one on IDA VI Replenishment and that the Deputies, during that meeting, would be able to reach an agreement on their governments' contributions. My discussions with the authorities of several contributing countries make me believe that this will be attained. Except for the ad hoc rearrangement of shares mainly involving only the U.S., Canada, Sweden, Germany and Japan, there is general agreement that each contributor will participate on the basis of the same share of his participation to the previous Replenishment. In the case of the Kingdom of Saudi Arabia, as the table indicates, its share in IDA V amounted to 4.56%. On the basis of the same share in a total Sixth Replenishment of \$12.5 billion, Saudi Arabia's contribution would be \$570 million. This would cover the three-year commitment period from July 1, 1980 to June 30, 1983 and, as explained before, would be payable over a period of ten years, along the lines shown in the table attached hereto.

I do not need here to preach to a convert of IDA's case and its vital importance to the economic development of the poorest among the poor countries. You have given me before ample opportunity on previous occasions to discuss this with you, and I again summarized it in the memo I presented to Your Excellency during our London meeting. I sincerely hope that Saudi Arabia will continue to play its key role in this humanitarian cause which is so essential for the nations of the Fourth World. IDA's long-term Credits for economic development projects afford these nations some chance to progress in harmony with the rest of the world. I hope that the Deputy of the Kingdom of Saudi Arabia, in the forthcoming meeting in Dubrovnik, will be in a position to announce the Kingdom's contribution.

Sincerely,

I.P.M. Cargill  
Senior Vice President

Encl.

cc: Messrs. ✓ McNamara  
Nurick  
Vibert

ELFishawy/rh

SAUDI ARABIA

Estimated Yearly Payments  
on Suggested Basis of 4.56% Share  
in a Total IDA 6 Replenishment of \$12.5b.

Drawdown of Payments

FY81	6	FY86	86
FY82	28	FY87	57
FY83	74	FY88	40
FY84	114	FY89	28
FY85	114	FY90	23
		Total	\$570m

SVP  
8/20/79

8/6

434/4/29



THE WORLD BANK  
Washington, D.C. 20433  
U.S.A.

8/7/79

Office of the President

To Secretary Vatter

Bill, no one who watched your performance as Chairman of the Fed can be other than delighted by your appointment to the Cabinet.

Among the problems facing you will be the need to formulate U.S. economic policies toward the developing countries and, in this connection, the program of the World Bank.

Two major issues confront the Bank:

1. Negotiation of the Sixth Replenishment of IDA
2. Approval by the Governors of the General Capital Increase of IBRD.

I realize that other subjects than these will have a first claim on your time. At your convenience, however, I would appreciate an opportunity to discuss them with you. Prior to such a discussion you might find it helpful to quickly scan the attached background note on the Bank.

With best wishes,  
Bob

August 6, 1979

The World Bank - Past, Present, and Future 1/

Introduction

1. The US executive branch will need to give early consideration to a major issue relating to the World Bank: the Sixth Replenishment of resources for IDA presently under negotiation among the contributing countries. A decision on this will have to be reached at the IBRD/IMF Annual Meeting in Belgrade in early October to permit IDA's operations to continue.

2. The purpose of this memorandum is not to provide a comprehensive brief on this issue (specific proposals will be transmitted through official channels), but rather to furnish information on the goals and operational policies of the Bank as a background against which this issue and other matters requiring decision might be considered. This memorandum is divided into five sections:

The first section provides an overview of the World Bank's activities and its search for new and better ways of increasing the productivity of the 2 billion people in the approximately 100 countries that the Bank currently serves.

The second section describes the special place of IDA in helping meet the investment needs of the poorest countries of the world — those with an annual per capita income of less than \$300.

The third section summarizes the role of IFC in the World Bank's efforts.

The fourth section describes how the Bank fits into the general framework of multilateral and bilateral aid efforts.

And a final section sets out the main reasons why the Sixth Replenishment of IDA is an urgent issue requiring immediate attention.

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1/ The official names (and acronyms) of the three institutions making up the World Bank are: the International Bank for Reconstruction and Development (IBRD); the International Development Association (IDA); and the International Finance Corporation (IFC).



Section I: Overview of World Bank Activities

3. The decision to create the World Bank was taken at the Bretton Woods Conference in 1944; the Bank opened for business in 1946. Its original role was to channel investment funds, first into reconstruction of the damaged economies of Europe, and subsequently into economic development generally. It obtained a relatively small part of its resources from capital subscriptions actually paid by its members. For most of its funds it was expected to rely, and does rely, on the sale of its securities in private capital markets throughout the world. The United States subscription was -- and continues to be -- the largest single contribution to the Bank's share capital.<sup>1/</sup>

4. The Bank's earliest loans, in 1947, were made to provide foreign exchange for the reconstruction efforts of Denmark, France, Luxembourg, and the Netherlands. With the introduction of the Marshall Plan in 1948 to supply this type of finance, the focus of the Bank's lending shifted gradually toward development projects and developing countries. Much of the Bank's lending in the 1950s was for basic infrastructure projects -- railroads, highways, dams and power plants. While the transportation and power sectors still account for about one-third of the Bank's lending, there has been a steady increase during the past ten years in financing for other sectors such as agriculture, education, industry, and population planning. This shift in sectors was paralleled by a broadening concern for the overall problems of development, and increased attention to the whole set of domestic policies and external factors which affect the economic prospects of individual developing countries.

5. In the early 1970s, the Bank initiated a major effort to raise the productivity of the 800 million poor people who live in rural areas of developing countries. The steps taken to implement this objective include a substantial increase in lending for agriculture. The result has been that agricultural loans now account for nearly 25% of total lending compared to 15% in fiscal year 1972. It is estimated that the Bank will provide about \$20 billion for agricultural investment during FY79-83, and that this will finance a total of over \$50 billion worth of projects and programs. Within this expanding overall agricultural program, there has also been a

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<sup>1/</sup> The five largest shareholders in the Bank (and their present shares of voting power) are: the United States (21.48%), the United Kingdom (8.12%), Germany (5.52%), Japan (4.26%), and France (4.03%).

substantial increase in assistance designed expressly for improving the productivity and incomes of the rural poor. Whereas less than 25% of the agricultural operations focused on the rural poor in FY69-73, some 50% of the agricultural program has done so in the last three years.

6. The Bank has also expanded and redirected its investment in urban areas of developing countries in order to ensure that it results in increased earning opportunities for the urban poor. The central strategy of the Bank in urban areas is the same as for rural areas: to help the poor become more productive. To reach the target population groups in urban areas, the Bank lends directly for identified urban projects, and has reoriented its lending for industry, development finance companies, and water supply and sewerage projects.

7. One of the critical challenges facing the developing countries is the need to meet their growing energy requirements in the face of the rising price of oil. In 1977, the Bank formulated a five-year program to expand its lending for the development of both fuel and non-fuel mineral resources. This policy was expanded and modified in 1979 to include lending for exploration. Under these new policy initiatives, the Bank hopes to play a significant role in assisting the developing countries to meet their energy requirements in the 1980s. Present plans call for the gradual expansion of Bank lending in the energy sector to \$1.5 billion a year by FY83, which would permit the financing of oil exploration and production projects with a total cost of over \$4 billion. This would represent roughly a third of the total investment requirements of the Bank's member developing countries in that sector.

8. The Bank has long recognized that progress in education, population, nutrition and health were an integral part of its strategy to raise the productivity of the poor, and this is now receiving increased emphasis. Over the next five years, the Bank plans to finance at least twice as many population projects as in the past five-year period, and to expand the country coverage of economic and sector analysis on these issues. A decision has recently been taken to begin lending directly for health projects in addition to continuing to finance the health component of other projects.

#### Volume of Lending

9. In the fiscal year ending June 30, 1979, the World Bank Group -- IBRD, IDA and IFC together -- committed approximately \$10 billion in loans to developing countries. About \$7 billion of this was in the form of long-term IBRD loans with an average final maturity of over 17 years and interest rates averaging 7.5%; \$3 billion was

through the Bank's "soft" loan operations -- IDA credits with a final maturity of 50 years and a service charge of 3/4%; and IFC invested approximately \$425 million in industrial projects.

10. As the table below indicates, the Bank Group has increased its lending very substantially in recent years:

Amount of Commitments Bank Group	Average Per Year			FY77	FY78	FY79
	FY64-68	FY69-73	FY74-78			
Current \$ billions	1.2	2.7	6.7	7.3	8.7	10.4
FY79 Constant \$ billions	4.2	5.6	8.2	8.2	9.3	10.4
No. of IBRD/IDA Projects	57	129	208	228	236	247
IFC Projects	15	23	34	33	40	48

11. The role of the World Bank in the international development effort, and the scale of its operations, are further illustrated by the fact that at the end of FY79 it was supervising the completion of nearly 1500 projects in more than 100 developing countries. In the current fiscal year (ending June 30, 1980), commitments totalling \$10.9 billion are planned, including \$7.6 billion for IBRD, 3.5 billion for IDA, and \$420 million for IFC. The level of IBRD lending has been established following a recommendation by the Bank's Executive Directors to its Board of Governors, i.e. its member governments, for a \$40 billion capital increase. It is expected that this recommendation will be approved. The implementation of the general capital increase is indispensable to the Bank's future growth as IBRD's Articles of Agreement limit its disbursed loans and guarantees to the total of subscribed capital and reserves.

12. The level of IDA lending in FY81-83 (the Sixth Replenishment period) naturally will depend upon the size of the replenishment which is finally agreed. Based on the discussions so far, a figure of total lending of approximately \$12.5 billion over the three year period FY81-83 is being used for planning purposes. IFC plans to invest about \$1.8 billion over the same period. Annex A gives detailed financial data, including projections to FY84, for all three organizations.

#### Technical Standards

13. Because the World Bank is a market-based financial intermediary as well as a development institution, it must assure both shareholders and investors in its bonds that its lending operations

meet sound financial and operational criteria. This means, first, that loans are made only to countries which may reasonably be judged creditworthy. Secondly, Bank lending is predominantly directed towards specific projects and all projects have to meet high financial, technical, and economic standards. In addition, the identification and preparation of projects is conducted against the background of a thorough economic analysis of a country's economic prospects, thus ensuring that the investments are of high priority. In the appraisal process which follows after a project has been identified, the Bank measures the economic benefits of a project and calculates the rate of return on the investment. Recently, the economic return from projects financed by IBRD and IDA has averaged close to 20% per annum.

14. Once a loan has been approved, the Bank supervises the implementation of the project until it is completed. A final stage in the Bank's quality-control process is carried out by a separate Operations Evaluation Department (OED) which was set up in 1970 to evaluate project successes and project failures. The unit prepares reports to the shareholders (through the Executive Directors) and management on the actual results of operations in terms of contributions to development. About 17% of the Bank's staff time and administrative budget is devoted to this supervision and evaluation effort.

#### IBRD Resources

15. IBRD resources are derived from paid-in capital (presently \$3.7 billion), reserves (\$2.9 billion), and borrowings in the capital markets of the world (\$26.6 billion). The rise in lending volume since FY68 has required a greatly expanded borrowing program. Gross borrowings in FY79-83 will be approximately \$32 billion (\$17 billion, net of repayments). Faced with these large borrowing requirements, the Bank has made a conscious effort in recent years to diversify the sources of its funds. As a result, the proportion of total net borrowings raised outside the U.S. rose from 39% in FY64-68 to 81% in FY69-73 and to 70% in FY74-78, and is projected at 59% in FY79-83. The exceptionally high figures in certain of these periods reflect unusual conditions in the world's capital markets in those years, which presented the Bank with frequent opportunities to borrow outside the United States on advantageous terms. In more normal times the Bank does not expect to obtain such a large proportion of its new funds -- especially long-term funds -- in capital markets which are far smaller than that of the United States. The borrowing program for FY79-83 includes gross borrowings in the United States of approximately \$1.8 billion per year.

16. IBRD lending capacity will be substantially increased when

the general capital increase recently recommended by the Bank's Executive Directors is approved by the Board of Governors. In the case of the U.S., the Secretary of the Treasury requires express legislative approval before he can vote for the proposal.

17. Of the proposed general capital increase of \$40 billion, about \$3 billion will be paid in. The U.S. share of this amount, to be paid in over four or five years beginning in FY83, is \$658 million. The balance of the U.S. subscription amounting to \$8 billion will be in the form of callable capital. Callable capital can never be used for lending or administrative expenses; it can be called only if needed by the Bank to meet its obligations to bondholders. The Bank has never had to call on such funds and conducts its operations in a manner which would make such an event highly unlikely. Nonetheless, the callable capital is looked to by the Bank's bondholders as a fundamental support for their providing resources to the Bank.

18. In addition, resources are being provided by a Selective Capital Increase agreed by member governments in 1976. The FY80 US foreign aid appropriations bill includes an administrative request for the balance of the US share of this increase. The balance of approximately \$1 billion includes a last installment of \$523 million, plus arrearages from the first and second installments of \$143 and \$360 million respectively. 1/ The timing of these appropriations is

1/ The present status of the FY80 appropriations bill as it affects the World Bank Group is as follows:

	Administration Request	House Appropriations Committee Recommendations	House Floor Action	<u>a/</u>
	(\$ mil)	(\$ mil)	(\$ mil)	
World Bank				
Paid-in capital	102.6	30.8 )	163.1	
Callable Capital	923.2	277.2 )		
IDA	1,092.0	1,092.0	1,086.2	
IFC	33.4	33.4	33.4	

a/ These amounts reflect action to date. The bill is still under consideration, and amounts may be subject to restrictive provisions which could prevent the Bank Group from accepting the funds.

important for the US because a significant delay could result in the US share of subscribed capital falling below 20%. This would eliminate the US right to veto amendments to the Bank's Articles of Agreement.

19. The Bank's net income in the mid-70's approximated \$200 million per year. It currently is earning about \$400 million a year and net income is expected to rise from this level in the 1980s. About \$100 million of net income has been transferred each year as a grant to IDA, and the rest retained for the Bank's own reserves.

## Section II: IDA's Emphasis on the Poorest Countries

### The Institution

20. The International Development Association (IDA) was established in 1960, largely as a result of US efforts, to extend productive economic development loans to the poorest of the developing countries. These countries cannot afford to borrow except on the highly concessionary terms that IDA makes available (IDA credits are repaid over 50 years with no repayment in the first ten years. Borrowers pay no interest but do pay a service charge of 0.75% on amounts outstanding). IDA's projects have to meet the same high economic and financial standards as IBRD projects. IDA has the same management and staff as the Bank.

### IDA's Lending

21. IDA lending is designed to reach the poorest countries where most of the world's 800 million persons who exist in absolute poverty live. In many of these countries, per capita income is only \$170, and has grown at only 1% per annum or less in the past. Progress in alleviating poverty depends on achieving much faster growth in the future.

22. Because raising agricultural output is crucial to alleviating poverty in these predominantly rural economies, nearly half of current IDA lending is for agriculture.<sup>1/</sup> Within the

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<sup>1/</sup> Some of these poorest countries do have significant urban concentrations. To take account of these, IDA is increasing lending aimed at upgrading slums and water supply and sewerage services. Another aspect of IDA lending for the urban poor is the emphasis being given to providing productive employment at low cost. Here IDA lending has placed increased reliance on developing small-scale labor intensive industries.

agricultural sector, the objectives of income growth and increased productivity and employment of the poor are exemplified by IDA lending in rural development.<sup>1/</sup> Such projects currently account for almost two-thirds of IDA agricultural projects. The 100 agricultural projects (amounting to about \$2.5 billion) undertaken in the last two years are expected to benefit directly almost 8 million rural families of whom about two-thirds have incomes below either the absolute poverty level or the relative poverty level for their respective countries. These projects are also expected to achieve major increases in food output (in excess of 1,755,000 tons at full production).

#### IDA's Resources

23. IDA's initial funding of about one billion dollars was provided by subscriptions mainly from OECD countries, notably the United States. IDA has continued to receive resources through five replenishments taking place at about three-year intervals. The group of contributors participating in these negotiations has now grown to include not only the industrialized countries but also countries still on the road of development such as Korea, Spain, Yugoslavia, and Arab donors such as Kuwait, Saudi Arabia and the UAE. These countries may be joined in a significant way for the first time in the forthcoming Sixth Replenishment by Argentina, Brazil, Mexico, Greece and Romania. Malaysia has already made its first pledge to this Replenishment. The US contribution to the Fifth Replenishment amounted to \$2.4 billion, which added to the contributions to the previous replenishment brings the cumulative total to \$6 billion. The US share of Replenishments has declined from 41.9% in the First Replenishment to 31.2% in the Fifth Replenishment.

24. IDA is currently lending resources provided by the Fifth Replenishment (FY78-80) but will need fresh commitment authority by July 1980. As discussed further below, actual agreement on the size of the new Replenishment will need to be reached almost a year before commitments under it can begin to allow time for the necessary ratification procedures in donor countries. Therefore, negotiations started in December 1978, and it is urgent that agreement be reached on the Sixth Replenishment of IDA resources at the Deputies level by the fall of 1979.

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<sup>1/</sup> Rural development projects are those in which a majority of the direct benefits are expected to accrue to targeted rural poverty groups. The "target groups" for the program are small-scale farmers, tenants, and the landless.

### Section III: The Role of IFC

25. IFC invests, in association with private investors, in productive enterprises in the developing countries. It brings together investment opportunities and domestic and foreign private capital into productive investments. In these endeavors IFC subjects each investment to the tests that (1) it must make a useful contribution to the development of the economy of the member country concerned, and (2) it must show a high probability of being profitable. In its activities, IFC cooperates with private financial institutions and it does not compete with them.

26. IFC's resources are paid-in capital (\$229 million), retained earnings which have been allocated to reserves (\$119 million), and an authority to borrow up to four times its unimpaired capital and surplus (a total of \$523 million has already been borrowed under this authority: \$483 million from the IBRD and \$40 million from other sources). Only capital and reserves are available to finance IFC's equity investments.

27. IFC's resources for investments in developing countries are being expanded through a \$480 million increase in subscribed capital, of which \$120 million has been paid in. The United States' share of the increase is \$111 million, payable in five installments over the FY78-82 period. As of June 30, 1979, \$46 million was paid in.

### Section IV: The Place of the World Bank in the Total Aid Effort

28. The Bank Group is the largest multilateral development institution, accounting for about 60% of the net disbursements from non-OPEC multilateral sources in 1978 and for about 65% of resources committed in that year. There are a number of development banks whose activities are focused on particular regions of the world, some of them patterned after and established with the assistance of the World Bank. The oldest regional bank is the Inter-American Development Bank (IDB), which started lending in 1961, and is currently lending approximately \$2 billion per annum to countries in Latin America and the Caribbean. The Asian Development Bank (AsDB) began lending in 1968, and has achieved rapid growth in annual commitments (currently \$1.2 billion compared to \$610 million in 1975 and \$246 million in 1970). The African Development Bank (AfDB) has been formally in operation since 1967, but is lending on a much smaller scale -- about \$325 million per year at present but with prospects for rapid expansion now that non-regional membership has been extended to OECD nations and the capital base of the Bank increased six-fold. Apart from the regional banks, other important multilateral sources of aid



are the UNDP, which provides technical assistance in the form of grants; the institutions of the European Economic Community: the European Investment Bank (EIB), and the European Development Fund (FED); and the International Fund for Agricultural Development (IFAD). In addition, the IMF has provided soft loans amounting to \$1.25 billion from the trust fund established from sales of gold. OPEC multilateral aid institutions, including the OPEC Special Fund, the Arab Bank for Economic Development in Africa, the Islamic Development Bank and the Arab Fund for Economic and Social Development, are of increasing importance with commitments in excess of \$1.2 billion in 1977.<sup>1/</sup>

29. The World Bank coordinates its activities with those of the other multilateral institutions, and provides them with much of the country economic analysis they need in assessing requests for loans. Questions have occasionally arisen as to whether the World Bank or the regional banks should take up a particular project, but with improved programming and coordination by all parties, such issues are normally resolved without difficulty. Coordination is equally important within member governments to ensure that policies pursued by an Executive Director on one of the regional institution's Boards are consistent with those pursued by the same country's representative on the Bank's Board.

30. The overall aid effort of the industrialized countries as a group (those that are members of the Development Assistance Committee of the Organization for Economic Cooperation and Development - OECD/DAC) through both bilateral and multilateral programs has declined to 0.32% of the GNP of the DAC countries in 1978 from 0.44% in 1965 and 0.35% in 1975. Over the same period, the US has seen its aid effort decline from 0.49% of GNP in 1965 to 0.26% in 1975, and to 0.23% in 1978. This compares with a target, adopted in the United Nations in 1970, of 0.7%. In real terms, the flow of Official Development Assistance (ODA) in 1978 was only 20% higher than in 1965, compared with real income growth of DAC members of more than 60% in this period.

31. In 1978 there was a minor reversal of the downward trend as ODA from the DAC increased to 0.32% from 0.31% a year earlier (see Annex II). However, prospects for a continuation and acceleration of the upward trend in aid-giving are not bright. Current projections are for an increase only to 0.33% of GNP by 1982. Of particular

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<sup>1/</sup> This figure excludes commitments of \$1.475 billion by the Gulf Organization for the Development of Egypt (GODE) which may not be honored.

concern is the comparatively poor aid efforts of major donors. There can be no significant progress towards the 0.7% target without a sustained effort by Germany, Japan, and especially the United States, to expand their ODA flows. All of these countries are below the current DAC average aid performance. The US aid level is barely two-thirds of the DAC average.

32. Flows to multilateral agencies account for about 28% of the total flow of ODA and include flows to the Bank Group in 1978 of almost 30% of multilateral or 8% of total ODA. The stress which different countries place on channelling aid through multilateral agencies as compared to bilateral programs varies. In the past, the United States has been a leader in the support of multilateral aid programs such as those of the World Bank and has channelled a significant proportion of its total development assistance through such neutral intermediaries. More recently the US has endeavored to reduce its share in the resource flow to multilateral institutions as other countries, including the OPEC countries, are more able to contribute resources to these institutions.

33. The current international economic climate presents difficulties not only for many developed and developing countries but also for the multilateral development institutions such as the World Bank. While the needs of countries that depend on World Bank assistance have grown very dramatically in recent years, the value of assistance provided by the Bank has been adversely affected by the price increases of goods and services purchased by such assistance.

Amount Required to Finance Equivalent  
of \$100 Million Commitment in FY65 1/

FY65	100
FY70	154
FY75	282
FY80	403

1/ Allowing for price changes during the disbursement period.

This means that the Bank Group must expand its operations at a rapid pace in nominal terms in order to sustain a reasonable transfer of resources in real terms. In particular, these comments are true for the poorest countries that depend heavily for assistance on IDA. If these countries are to achieve even minimal growth rates, the transfer of resources from IDA must be sufficient to offset the detrimental effects on their economies of inflation and the oil price increases. Aside from some OPEC contributions, the capital needs of IBRD and IDA

can be supplied only by the developed countries, most important among which is the United States.

#### Section V: Matters Requiring Immediate Attention

34. As the World Bank's largest shareholder, the United States has a unique opportunity -- and responsibility -- to exercise leadership in strengthening the Bank's role as an institution committed to making the poor more productive. Specifically, the US must give its urgent attention in the immediate future to the Sixth Replenishment of IDA and the status of US participation in the increases of IBRD capital.

##### IDA Replenishment

35. As discussed above, IDA will exhaust its commitment authority by July 1980. To permit commitments to continue, legislative action giving new authority must be completed by then. Past experience indicates that to allow time for the legislative action, actual agreement among donors must be reached a year before commitment authority is exhausted. Thus, final agreement on the size of the Sixth Replenishment must be reached urgently.

36. An essential requirement for concluding negotiations is for the US to make its commitment. A prompt announcement of a US contribution consistent with its position of leadership in the world is necessary to permit the rapid development of a consensus among other donors, and allow IDA to continue its operations without interruption.

##### IBRD Capital Increases

37. The implementation of the \$40 billion general capital increase recommended by IBRD's Executive Directors is indispensable to the Bank's future growth. Early action by the US to obtain the legislative authority enabling the Secretary of the Treasury to vote for the general capital increase should be taken in order to insure the increase is not delayed.

38. Early action to complete the US subscription to the 1976 Selective Capital Increase is also necessary. If the US participation in the Bank's share capital falls below 20%, the US ability to veto amendments to the Bank's Articles of Agreement would be affected.

	Thru 1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1984-88	1965-73	1974-78	1979-83			
<b>IBRD BALANCE SHEET a/</b>																													
Cash & Securities	1738	1589	1585	1417	1305	1167	1707	2049	2549	3218	3734	3824	5110	6316	7846	8857	9247	9256	9542	9956	10613	11816	1167	3734	8857	10613			
Receivable from Delayed Deliveries	5	5	18	234	234	234	141	43	17	11	43	120	797	1274	1097	980	887	778	675	575	488	406	234	141	43	17	11	43	
Receivable from Loans - Part I b/	1426	1491	1689	1712	1774	1712	1378	1433	1491	1427	1378	1433	1491	1427	1378	1433	1491	1427	1378	1433	1491	1427	1378	1433	1491	1427	1378	1433	1491
- Part II	3294	3712	4291	4828	5258	5774	6907	8322	9734	11651	14185	16732	20578	24394	29491	36355	43114	49757	56906	64536	72801	81842	774	14185	36355	43114	50973	58801	
- IFC					100	100	100	200	800	260	297	400	442	502	510	499	481	459	495	437	330	1131	100	297	499	830			
- Total	4720	5203	5980	6540	7132	7586	8637	9879	11334	13344	15973	18500	22344	27346	33109	39877	46482	53094	60276	68139	77109	83379	7586	15973	23732	31632	40119	49119	
Receivable from Subscribed Capital	436	437	455	509	502	479	452	432	458	492	557	484	461	411	515	561	659	654	649	1295	1345	1395	479	502	502	502	502	502	
Land & Buildings Net of Deprec. Res.	21	21	21	23	24	29	34	37	37	36	36	46	46	66	67	66	67	63	89	89	89	89	29	37	37	37	37	37	
Accruals, Prepayments & Other Assets	79	79	95	103	118	125	163	198	209	281	460	447	513	752	855	1042	1344	1692	1949	2342	2818	3425	125	460	1042	1692			
<b>TOTAL ASSETS</b>	<b>6999</b>	<b>7329</b>	<b>8174</b>	<b>8592</b>	<b>9315</b>	<b>9620</b>	<b>11144</b>	<b>12638</b>	<b>14602</b>	<b>17382</b>	<b>20819</b>	<b>23314</b>	<b>28606</b>	<b>34448</b>	<b>40380</b>	<b>48359</b>	<b>55815</b>	<b>62543</b>	<b>69748</b>	<b>78579</b>	<b>87828</b>	<b>98537</b>	<b>9620</b>	<b>20819</b>	<b>48359</b>	<b>87828</b>			
Due to IDA c/			40	79	92	43	92	163	240	289	342	358	454	558	649	735	790	721	739	786	763	726	43	342	735	763			
Undisbursed Loans d/	1535	1731	2149	2314	2381	2371	3007	3905	4741	5480	6279	7378	10148	12577	15173	18462	21619	24919	28375	31812	35261	38996	2371	6279	18462	35261			
Funded Debt g/	2524	2492	2742	2806	3309	3524	4222	4612	5441	6962	8925	9650	15444	18478	22602	25931	28640	32036	36057	40567	46156	52476	3524	8925	22602	40567			
Miscellaneous Liabilities	46	42	43	49	53	59	89	100	137	211	297	338	647	561	772	881	919	992	1037	1145	1279	59	297	881	1145				
Capital & Special Reserves	255	288	289	290	290	291	292	292	292	292	292	292	292	293	293	293	293	293	293	293	293	293	293	293	293	293	293	293	293
Reserves - Retained Earnings e/	558	656	743	807	902	1038	1135	1250	1364	1487	1644	1696	1885	1843	1942	2191	2580	2951	3274	3646	4101	4640	1038	1644	2191	4101			
- Paid-in Capital f/	2081	2120	2168	2247	2288	2294	2307	2316	2387	2661	3040	3043	3086	3087	3204	3721	3880	4059	4948	5698	6448	7294	2307	3040	3880	4948			
- Total	2894	3064	3200	3200	3344	3623	3734	3836	4043	4440	4976	5011	5359	5222	5332	5768	6594	7124	7606	8887	10092	11381	3623	4976	5768	7606			
<b>TOTAL LIABILITIES &amp; CAPITAL f/</b>	<b>6999</b>	<b>7329</b>	<b>8174</b>	<b>8592</b>	<b>9315</b>	<b>9620</b>	<b>11144</b>	<b>12638</b>	<b>14602</b>	<b>17382</b>	<b>20819</b>	<b>23314</b>	<b>28606</b>	<b>34448</b>	<b>40380</b>	<b>48359</b>	<b>55815</b>	<b>62543</b>	<b>69748</b>	<b>78579</b>	<b>87828</b>	<b>98537</b>	<b>9620</b>	<b>20819</b>	<b>48359</b>	<b>87828</b>			
Total Uncalled Capital	18656	19066	19501	20184	20565	20648	20733	20843	21484	23946	27357	27388	27729	27775	27782	27941	33489	34920	36351	47032	56282	65532	20648	27357	29741	56282			
Income from - Securities	320	62	62	63	72	66	88	149	187	187	215	267	383	425	536	614	725	805	667	693	731	796	325	825	2225	3621			
- Loans: Part I g/	685	64	68	70	76	84	91	72	74	74	87	89	85	89	87	84	80	73	70	75	87	362	403	437	382				
- Part II	589	125	137	157	180	200	253	312	378	463	577	716	877	1011	1237	1592	1845	2149	2493	2864	3321	3799	1629	4276	10963				
Total	1274	189	205	227	256	284	315	385	452	537	654	766	866	1073	1326	1616	1925	2232	2583	2959	3408	3908	1161	2032	4713	11343			
Other Income	8	1	2	2	4	4	11	7	6	6	8	9	8	9	8	11	11	11	11	11	11	10	11	11	11	11	11	11	11
Less: Administrative Expenses	127	19	22	30	31	34	41	45	56	66	79	91	110	122	141	148	162	193	221	251	285	325	136	287	612	1112			
Interest on Borrowings	631	100	106	116	129	151	195	242	305	392	487	614	776	977	1252	1542	1822	2049	2225	2511	2826	3211	602	1621	5150	11433			
Financial Expenses	23	2	2	3	2	2	3	4	4	4	4	4	6	8	10	16	19	29	28	30	32	35	39	11	21	154			
<b>NET INCOME</b>	<b>821</b>	<b>131</b>	<b>138</b>	<b>143</b>	<b>170</b>	<b>170</b>	<b>172</b>	<b>214</b>	<b>212</b>	<b>183</b>	<b>186</b>	<b>216</b>	<b>275</b>	<b>220</b>	<b>209</b>	<b>238</b>	<b>399</b>	<b>471</b>	<b>423</b>	<b>472</b>	<b>555</b>	<b>639</b>	<b>726</b>	<b>1101</b>	<b>1067</b>	<b>2410</b>			
Net Loss (-) or Gain (+) on Deval.	-8			-3		-23		-42	-42	-40	-41	-54	-14	-151	-10	-110	-490						-26	-435	-91	-490			
<b>IBRD SOURCES AND APPLICATIONS</b>																													
Net Income	813	130	138	141	170	172	216	214	233	267	162	289	69	199	348	487	471	423	472	555	639	726	1101	1067	2410				
Less: Transfer to IDA	50	50	50	50	75	100	75	100	110	110	100	110	110	110	99	99	99	99	99	99	99	99	99	99	99	99	99	99	99
Net Income Retained	763	80	88	91	95	72	139	114	123	157	62	179	41	89	259	388	372	324	373	456	540	627	1002	968	2311	1910			
Receipts of Capital Subscriptions	1646	38	20	32	50	29	30	39	45	69	63	70	61	34	-103	83	185	164	164	263	700	700	169	606	145	1476			
Repaid to IBRD on Loans - Part I	184	7	20	35	41	68	87	109	67	72	75	89	130	110	118	119	128	122	125	114	109	99	171	410	566	598			
- Part II	471	110	117	131	147	148	211	230	312	380	387	439	590	622	617	752	806	862	912	1016	1114	1247	1375	1629	2637	4661			
- Total	655	117	137	166	188	236	298	319	384	455	487	569	729	738	875	880	1028	1028	1028	1172	1225	1246	1441	1785	3003	7259			
Borrowing by IBRD	3987	100	598	288	729	735	1224	735	1368	1744	1723	1853	3510	4608h/	3931h/	3636	4280	5300	7300	8200	8800	8200	2450	6794	17538	31380			
Less: Debt Retirement	1461	132	348	224	226	514	526	438	568	608	768	863	1027	1278	1463	1463	1824	2571	2924	3279	3690	3211	1444	2888	6096	14288			
Net Borrowing	2526	-32	250	64	503	211	698	299	1280	1136	985	1045	2483	3581	2468	1767	1817	2329	3376	4071	4510	5589	1006	1144	17092	17092			
Exchange Adjustments on Funded Debt	-4																												
Exchange Adjustments on Capital	171																												
Receipts from Sale of Loans	1575	155	110	105	69	65	52	195	27	29	25	27	48	40	165	162	60	60	25	25	25	25	304	328	442	195			
Increase in Misc. Liabilities	46	-4	1	6	4	6	30	11	37	74	82	41	309	-86	109	3													

FLOW OF OFFICIAL DEVELOPMENT ASSISTANCE FROM DEVELOPMENT ASSISTANCE COMMITTEE MEMBERS  
TO DEVELOPING COUNTRIES AND MULTILATERAL INSTITUTIONS<sup>a/</sup>  
(Calendar Years, US\$ million and % of Projected GNP)

	1965	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Australia	119 .53	202 .59	507 .60	385 .42	427 .45	491 .45	533 .45	589 .46	661 .47	742 .47	840 .48	954 .49	1085 .50
Austria	10 .11	11 .07	64 .17	48 .12	118 .24	156 .27	179 .28	196 .29	220 .29	248 .30	282 .30	323 .31	369 .32
Belgium	102 .60	120 .46	378 .59	340 .51	371 .46	535 .55	588 .54	677 .58	774 .60	902 .62	1055 .65	1205 .67	1399 .70
Canada	96 .19	346 .42	880 .55	886 .46	992 .50	1053 .52	1022 .46	1174 .47	1333 .47	1516 .48	1736 .50	1947 .50	2170 .50
Denmark	13 .13	59 .38	205 .58	214 .56	258 .60	386 .75	404 .69	443 .70	490 .70	545 .71	611 .71	682 .72	771 .72
Finland <sup>b/</sup>	2 .02	7 .07	48 .18	51 .18	49 .17	56 .18	72 .20	82 .21	94 .21	107 .22	124 .23	144 .24	166 .25
France	752 .76	971 .66	2093 .62	2146 .62	2267 .60	2689 .57	3112 .57	3478 .57	3890 .58	4373 .58	4929 .59	5574 .60	6312 .61
Germany	456 .40	599 .32	1689 .40	1384 .31	1386 .27	1984 .31	2328 .32	2599 .33	2883 .33	3250 .34	3660 .34	4144 .35	4664 .35
Italy	60 .10	147 .16	182 .11	226 .13	186 .10	163 .06	292 .10	335 .10	344 .09	526 .13	475 .11	513 .10	587 .11
Japan	244 .27	458 .23	1148 .23	1105 .20	1424 .21	2215 .23	2577 .25	2934 .26	3222 .26	3825 .27	4525 .28	5086 .28	5905 .28
Netherlands	70 .36	196 .61	604 .75	720 .82	900 .85	1072 .82	1330 .90	1460 .93	1602 .93	1766 .93	1978 .94	2223 .95	2516 .97
New Zealand <sup>c/</sup>		14 .23	66 .52	53 .41	52 .39	55 .34	56 .30	58 .27	63 .27	70 .27	84 .29	99 .31	116 .33
Norway	11 .16	37 .32	184 .66	218 .70	295 .83	355 .90	399 .92	443 .94	496 .96	563 .97	642 .98	732 .99	835 1.00
Sweden	38 .19	117 .38	566 .82	608 .82	779 .99	783 .90	933 .93	1050 .94	1165 .95	1295 .96	1458 .98	1621 .98	1815 1.00
Switzerland	12 .09	30 .15	104 .19	112 .19	119 .19	176 .20	197 .21	211 .21	239 .22	272 .23	309 .23	352 .24	400 .25
United Kingdom	472 .47	447 .36	863 .37	835 .38	914 .37	1226 .40	1450 .39	1649 .39	1818 .40	2003 .40	2209 .40	2433 .41	2682 .41
United States <sup>d/</sup>	3418 .49	3046 .31	4007 .26	4334 .25	4159 .22	4857 .23	5248 .22	5655 .22	6256 .22	6969 .22	7795 .22	8642 .22	9549 .22
<b>GRAND TOTAL</b>													
ODA (\$b. - Nominal Prices)	5.9 .44	6.8 .34	13.6 .35	13.7 .33	14.7 .31	18.3 .32	20.7 .33	23.0 .33	25.7 .33	29.0 .33	32.7 .34	36.7 .34	41.3 .35
ODA (\$b. - Const. 1978 prices)	15.3	14.6	17.6	17.2	17.0	18.3	19.0	19.8	20.6	21.8	22.9	24.0	25.3
GNP (\$t. - Nominal Prices)	1.3	2.0	3.8	4.2	4.7	5.6	6.3	7.0	7.7	8.6	9.5	10.6	11.9
Price Deflator <sup>e/</sup>	.39	.47	.77	.80	.86	1.00	1.09	1.16	1.25	1.33	1.43	1.53	1.64

<sup>a/</sup> Historical figures through 1977 and preliminary estimates for 1978 are from OECD/DAC. Those for 1979-85 are based on OECD and World Bank estimates of growth of GNP, on information on budget appropriations for aid, and on aid policy statements by governments. They are projections, not predictions, of what will occur unless action not now planned takes place. <sup>c)</sup> Finland became a member of DAC in January 1975. New Zealand became a member of DAC in 1973. ODA figures for New Zealand are not available for 1965. In 1946, at the beginning of the Marshall Plan, US Official Development Assistance amounted to 2.79% of GNP. <sup>e)</sup> The deflator is the US\$ GNP deflator (1978=1.00) which includes the effects of changes in exchange rates.

736

494 14/28

**WORLD HEALTH ORGANIZATION**



**ORGANISATION MONDIALE DE LA SANTÉ**

1211 GENEVA 27 - SWITZERLAND  
Telegr.: UNISANTE-Geneva

1211 GENÈVE 27 - SUISSE  
Télégr.: UNISANTE-Genève

Office of the Director General

Tél. 34 60 61 Télex. 27821

Bureau du Directeur Général

Ref.: DG 08/445/8

Geneva, 6 August 1979



Dear Bob,

Very many thanks for your letter of 25 July 1979 from which I was pleased to note your positive impression about the initial work of the Independent Commission for studying the long-term strategy of the Onchocerciasis Control Programme. I certainly share your views regarding the importance of establishing effective coordination between the study of the Senegal-Guinea extension and the Commission's work. I know that Dr Gordon Smith has this point very much in mind.

I was delighted to know that your Board has approved the proposals for greater involvement of the Bank in the health sector and I should like you to know how grateful I am to you for having been instrumental in bringing about this successful achievement.

With renewed thanks and best personal regards,

Yours sincerely,

*H. Mahler*  
H. Mahler, M.D.  
Director-General

Mr Robert S. McNamara  
President  
International Bank for Reconstruction  
and Development  
1818 H. Street, N.W.  
Washington D.C., 20433

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AUG 13 1979 3:11  
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ORGANISATION MONDIALE  
DE LA SANTÉ

1211 GENEVE 27 - SUISSE  
Télégr.: UNISANTE-Geneve

Bureau du Directeur Général



Tél. 34 60 81 Téléx. 27821

WORLD HEALTH  
ORGANIZATION

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Telegr.: UNISANTE-Geneva

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Yours sincerely,

*Handwritten signature*  
Director-General

Mr Robert S. McNamara  
President  
International Bank for Reconstruction  
and Development  
1818 H. Street, N.W.  
Washington D.C., 20433

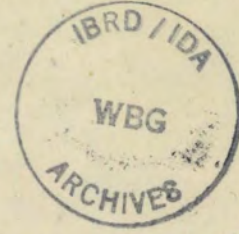
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INCOMING MAIL UNIT

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*Samar R. Sen*

*Delhi*  
494/4/27

PHONE : 675861  
41 POORVI MARG  
VASANT VIHAR  
NEW DELHI-110057  
August 3, 1979



*Lunched*  
*9/19*

Dear Mr. McNamara,

be

My wife and I will be attending the next session of the International Conference of Agricultural Economists to be held at Banff, Canada, next month. En route, we shall be in Washington D.C. on August 28 and 29 and again from September 19 to 26. I would like to take this opportunity to meet you.

There is a process of political realignment going on here and government is today rather weak. But the economy is in reasonably good shape.

You had once expressed a desire that I should continue to be associated with the work of the World Bank group. The Kafka Committee provided an opportunity for this. I was glad to learn from Mr. Kafka that the Board has accepted the general principles thrashed out by the Committee in spite of serious controversy, although naturally it found it necessary to modify some of the details. I find these modifications reasonable.

I would welcome other opportunities to be of some direct use to the Bank group. A recent medical check up shows that my general health has improved since my return to Delhi. It should be, therefore, possible for me to undertake some additional work and travel.

With kind regards,

Mr. Robert S. McNamara  
President  
World Bank  
Washington D.C.

Yours sincerely,

*S. R. Sen*  
(S.R. Sen)

INCOME TAX UNIT  
AUG 13 1979  
RECEIVED





James R. Lee

August 3, 1979  
NEW DELHI-110021  
VASANT VIHAR  
41 POORVI MARG  
PHONE : 875881

*Handwritten signature/initials*

Dear Mr. McNamara,

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With kind regards,

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Yours sincerely,  
*S. R. Sen*  
 (S.R. Sen)

Mr. Robert S. McNamara  
 President  
 World Bank  
 Washington D.C.

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494/4/26

# OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 10, 1979

FROM: Peter Riddleberger (through Mr. John E. Merriam)

SUBJECT: Congressional Breakfast

ICC 33.4  
IBRD 1.0425-5  
IDA 1092

*Vietnam  
can't exceed 98% loans  
until situation is clarified -  
PLD  
agri 25 106 in 10 yrs.*



## 1. GROUP

Democratic members of the House of Representatives first elected in 1974 and 1976.

### Time and Place

8:00 a.m. Thursday, July 12, 1979. 1302 Longworth House Office Building. Use Constitution Avenue entrance. Take elevator to third floor.

### Host

Rep. Albert Gore, Jr. (D-Tenn.). Gore is chairman of the 95th Congress Democrats, those elected in 1976. His father was on the Senate Foreign Relations Committee while you were Secretary of Defense. While on that panel Gore Sr. was a strong opponent of IDA.

Gore Jr. has a favorable voting record on multilateral aid legislation, unlike most of his southern colleagues from rural districts. His committee assignments deal with energy matters.

7/10

Gore extended this breakfast invitation after reading your Manila and Chicago speeches.

## 2. TALKING POINTS

### A. Energy

The main topic may be "What about oil prices and supply?". You might respond by saying the real problem is the sudden jump in prices, and that the issue now is to equate supply and demand.

The World Bank can help with the supply side, as it has been called upon by the industrial powers to invest in energy production in non-OPEC developing countries. During the next two fiscal years the Bank will be involved in 22 or more oil and gas projects. By 1983, we expect the volume of World Bank lending for petroleum development will exceed \$1 billion annually. As a catalyst the Bank expects to generate another \$4 billion from other sources for energy projects in LDCs. According to Fred Bergsten, this could generate an additional 2.5 million barrels per day in world production.

## B. Trade

The 96th Congress has before it a number of extremely important international economic issues including energy, trade bills, and relations with developing countries. In this regard it is important to understand that about 28% of U.S. exports now go to LDCs. If this level is to be sustained, their standard of living is extremely important to the welfare of the United States. International agencies such as the World Bank provide an important leverage for the U.S. in generating investment. Fred Bergsten pointed out to Congress that for each U.S. dollar invested in the World Bank, over \$50 are later earmarked for sound development projects in Africa, Asia and Latin America.

## C. Mexico

The World Bank has approved 57 loans to Mexico almost US\$3.5 billion, and issued several reports on the economy as well as on specific sectors and developmental issues. Thanks to this high level of assistance and to the technical competence of its counterparts in the country, a constructive dialogue on policy issues has been maintained throughout most of the past 30 years.

The Bank has often contributed technical analysis at the highest policy levels, useful in the gestation of the current economic priorities of the present Administration, namely:

- reducing population growth and regional and personal income disparities;
- increasing employment opportunities;
- accelerating agricultural growth, especially on non-irrigated and small farms;
- promoting spatial dispersion of economic activities, away from Mexico City;
- developing hydrocarbon resources with a view to improving the country's balance of payments position and financing an increasing proportion of its development activities with its own resources.

All this will help alleviate the pressures now building up vis-a-vis Mexico and the United States.

There is a congressional debate now underway concerning Mexican tomato exports. Florida growers are urging the Administration to block imports from Mexico. Others oppose such a move for obvious reasons. But if the issue arises, you might make the point that, either you take their goods or the influx of illegal aliens will continue to go higher.

#### D. Egypt

The work of the World Bank is central to its future economic development. It is through multilateral channels that money will be mobilized from other OECD countries such as Germany and Japan to assist the economic side of the post-treaty Middle East agenda. This of course will lessen the political risks for the United States. Current Bank lending to Egypt is \$400 million annually. Another \$1.1 billion comes from the Bank-chaired consortium made up of other OECD countries.

#### E. Agriculture

The Bank's lending for food production is essential because (1) any U.S. surplus will be sold to the Soviet Union and China, and (2) what remains are 800 million people in poor countries that do not have the foreign exchange to purchase food. These people must be provided with the wherewithal to grow more for their own consumption.

#### F. The Appropriations Committee Investigative Report

The investigation turned up no evidence of misuse of funds or lack of proper internal administration. The authors found the World Bank to be the most effective source for agricultural development; management was observed to be efficient and self critical. In hearings before the House, Treasury officials concluded from the report that the World Bank provided the most effective way for the U.S. to promote economic relations with developing countries.

Emphasize the point that the Bank is a prudently managed and rather conservative institution. It is not in the business of expanding welfare and consumption, but of promoting productivity. We take no sides in bilateral, political or economic disputes, but it is noteworthy that every U.S. administration from Truman to Eisenhower to Jimmy Carter has strongly supported our operations. Congressional support has been genuinely bipartisan. This has led to a broad base of support from all other OECD countries for the International Development Association. This has resulted in a real burden-sharing effort, whereby the U.S. share has been reduced, while others, notably Japan and Germany, have increased. Request for U.S. contribution to IDA is 30% less than last year -- from \$1.55 billion to \$1.092 billion -- and 20% lower than FY 1979 appropriations of \$1.254 billion.

#### G. Salaries

A year-long review of Bank salaries, which are not paid for by the U.S. taxpayers, has been concluded. The recommendations by outside consultants and a joint World Bank/IMF Committee have been accepted by the Bank.

July 10, 1979

H. Vietnam

A World Bank mission is currently in Vietnam to assess the situation. Until they have reported on the impact current policies will have on economic development, all pending projects have been set aside.

3. OTHER POINTS

Duke Merriam and Peter Riddleberger will be present at the breakfast. Ed Fried and Bill Dixon have been invited.

This breakfast comes at an opportune time, as the House is scheduled to take up the FY 1980 Foreign Aid Appropriations bill on July 17. This date could slip to later in the month.

PR:sb

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara  
FROM: John E. Merriam  
SUBJECT: Congressional Breakfast

DATE: July 11, 1979

There should be a good attendance at the breakfast tomorrow  
(see my memo of July 10). The following have accepted so far:

Albert Gore - Tenn.	Host	William Hughes - N.J.
Dan Akaka - Ha.		Andrew Ireland - Fla.
Les AuCoin - Ore.		Pete Kostmayer - Pa.
Doug Barnard - Ga.		John LaFalce - N.Y.
Alvin Baldus - Wis.		Tom Luken - Ohio
Ed Beard - R.I.		Stan Lundine - N.Y.
George Brown - Cal.		Ed Markey - Mass.
John Cavanaugh - Neb.		Jim Mattox - Tex.
Norm D'Amours - N.H.		Mat McHugh - N.Y.
Butler Derrick - S.C.		James Oberstar - Minn.
Norman Dicks - Wash.		Leon Panetta - Calif.
Chris Dodd - Conn.		Nick Rahall - W. Va.
Joe Early - Mass.		Paul Simon - Ill.
Allen Ertel - Pa.		Ike Skelton - Mo.
David Evans - Ind.		Harold Volkmer - Mo.
John Fary - Ill.		Doug Walgren - Pa.
Dan Glickman - Kan.		Jim Weaver - Ore.
Richard Gephardt - Mo.		Ted Weiss - N.Y.
Jerry Huckaby - La.		

7/11  
I also attach a briefing paper we prepared for luncheon meeting earlier this year.

The figures we use for energy come from Ed Fried who has told Congressmen that World Bank lending for oil, coal, natural gas, and hydropower will add the equivalent of 2-2.5 million barrels per day.

Attachment

*Mr. McNamara*

494/4/24

Alternate  
Executive Director

July 23, 1979

Honorable Henry M. Jackson  
United States Senate  
137 Russell Senate Office Building  
Washington, D.C. 20510



Dear Congressman Jackson:

I am responding to your request to Mr. McNamara for comments on Title VI of S.1308. The view in the World Bank is that the potential for increased production of oil, gas and coal in non-OPEC developing countries is substantial and I believe that it is important for the U.S. to review how it might best join others in increasing the energy supplies in these areas.

For the past two years the World Bank has been financing petroleum development in non-OPEC developing countries, and in January of this year the Executive Directors of the Bank approved an expanded program for the development of oil, gas and coal, including assistance in exploration.

7/24  
Based on studies undertaken for the Bank, there is thought to be considerable potential both for increasing the production of oil and gas from known fields and good prospects for new discoveries in a number of countries. The Bank's experience thus far suggests that there is room for more assistance in this sector than can at present be provided by international organizations with their existing resources.

The World Bank's program for the development of oil, gas, and coal deposits provides:

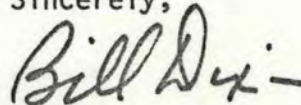
- assistance in improving the legislative and policy framework, so as to increase the flow of private capital to the energy sector;
- technical assistance to improve energy planning and policy and to strengthen institutions in the energy sector;
- financial and technical assistance in survey work to improve the geological data base for oil, gas and coal development;
- financial assistance for production and exploration in oil, gas and coal.

The Bank's program is expected to reach a level of about ten projects per year for the development of oil, gas and coal, amounting to \$500-700 million of loans, for projects costing from \$1.5-2 billion.

The Bank's initial experience suggests that there are many factors in developing countries which are bottlenecks to the more rapid expansion of oil, gas and petroleum production. These include lack of long-term plans for the development of energy resources, inadequate preparation of projects, weak institutions, and an investment climate which is not conducive to attracting foreign private investors. Despite the projected increase in the Bank's program, the need for assistance in the developing countries and their prospects for developing conventional and other sources of energy suggests that the U.S., as well as other bilateral aid agencies, would be justified in rapidly expanding their assistance programs in this sector. The areas in which assistance would be useful include: energy sector planning, training of technical staff from developing countries, financing of the development and utilization of oil, gas and coal resources, assistance in geological surveys and in increasing petroleum and coal exploration activity, and support for the development of low-cost technologies which can provide energy in rural areas. Since the financing of development and exploration would no doubt need to be done in conjunction with private companies and national oil corporations, the process for supporting such activities would have to be carefully designed. The United States could strengthen its insurance and guarantee programs available for oil exploration since the lack of confidence oil company management has in the sanctity of contracts in developing countries is an important element in their reluctance to expand activities there. Also there has been an erosion of fiscal incentives and this is an area which may need to be looked at.

The world supply of and demand for energy is an integrated one. The most rapid growth in demand will come from the developing countries, whose present consumption is very low and who have little opportunity for the kind of conservation effort which is possible in the industrialized countries. Therefore assisting them in increasing the development of new resources and exploring for additional reserves will benefit the United States as well as the developing countries.

Sincerely,



William P. Dixon  
U.S. Alternate Director



594  
HENRY M. JACKSON, WASH., CHAIRMAN  
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HENRY BELLMON, OKLA.  
MALCOLM WALLOP, WYO.

## United States Senate

COMMITTEE ON  
ENERGY AND NATURAL RESOURCES

WASHINGTON, D.C. 20510

June 25, 1979

Honorable Robert S. McNamara  
President  
International Bank for Reconstruction  
and Development  
1818 H Street N.W.  
Washington, D.C. 20433

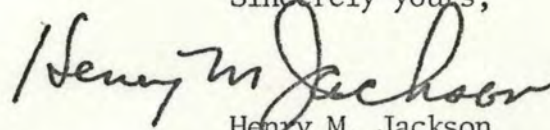
Dear Mr. McNamara:

I invite your attention to Title VI of S. 1308, a proposed "Energy Supply Act," now under consideration by this Committee. Title VI of the bill would require the Secretary of Energy to prepare and transmit to the Congress a report detailing available options for increasing oil and gas exploration in countries that are not members of the Organization of Petroleum Exporting Countries. Among other things, the Secretary's report would be expected to evaluate present United States initiatives for encouraging the development of new non-OPEC oil sources and the costs and benefits of new initiatives such as loan guarantees, tax incentives, and international joint ventures.

In view of the importance of the report envisioned by Title VI, the Committee desires to have the benefit of the widest possible comment on this aspect of the legislation and feels that your observations would be helpful.

Accordingly, I invite your comments on Title VI of S. 1308. A copy of the bill is enclosed. If you wish to comment, it will be helpful if your material can be made available promptly since the Committee hopes to complete its action on the legislation prior to August 1, 1979. w

Sincerely yours,

  
Henry M. Jackson  
Chairman

HMJ:Ojm  
Enclosure

WORLD BANK

OFFICE OF THE PRESIDENT

7/24

Mr. McNamara:

When the attached letter from Bill Young arrived on July 17 I gave it to Mr. Stern.

Mr. Stern would like you to have the following message:

"I have discussed with Ed Fried, who will prepare response. The letter arrived after the debate in the House had begun and our supporters were advised (a) that the letter had just been received, (b) that you were out of town, (c) of the position on Vietnam, and used the information in the discussion."



ROUTING SLIP

Date 7/17

OFFICE OF THE PRESIDENT

Name

Room No.

Mr. Stern

Dr. Dechamans

7/24

To Handle

Note and File

Appropriate Disposition

Note and Return

Approval

Prepare Reply

Comment

Per Our Conversation

Full Report

Recommendation

Information

Signature

Initial

Send On

Remarks

Jeanette -  
Returned herewith.  
cc given to Mr. Fried  
for information / per  
L. conversation

From

645  
C. W. BILL YOUNG  
6TH DISTRICT, FLORIDA

MEMBER:  
COMMITTEE ON  
APPROPRIATIONS

PERMANENT SELECT  
COMMITTEE ON  
INTELLIGENCE

Congress of the United States  
House of Representatives  
Washington, D.C. 20515

July 11, 1979



2453 RAYBURN BUILDING  
WASHINGTON, D.C. 20515  
DISTRICT OFFICES:  
SUITE 627  
144 FIRST AVENUE, SOUTH  
ST. PETERSBURG, FLORIDA 33701  
SUITE 606  
801 WEST BAY DRIVE  
LARGO, FLORIDA 33540

Mr. Robert S. McNamara  
President  
The World Bank  
Washington, D.C. 20433

Dear Mr. McNamara:

In a recent meeting with U.S. Assistant Secretary of the Treasury, C. Fred Bergsten, I was informed that the World Bank has decided to put a "freeze" on all lending to the Socialist Republic of Vietnam.

In writing to you, I am requesting confirmation from the World Bank that in fact a formal "freeze" is in effect on all lending to Vietnam. In this regard, I would also appreciate your response to the following questions:

- How long is the freeze in effect?
- How was this freeze accomplished and is it formal or informal? Did the Executive Directors meet and vote to stop all lending to Vietnam, or was this a decision made by the Bank's management?
- What are the conditions or requirements which must be met before the Bank will lift the freeze? Who will make this decision?
- Has the World Bank ever imposed a similar freeze on lending to particular countries, and if so, who and when?

Thank you for your consideration of this matter. With best wishes and personal regards, I am

Very truly yours,

C. W. Bill Young  
Member of Congress

CWY:jc

1523 RAYBURN BUILDING  
WASHINGTON, D.C. 20515  
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LAWRENCE, FLORIDA 32044

BRD 110A  
WBG  
ARCHIVE

Congress of the United States

House of Representatives

Washington, D.C. 20515

July 11, 1979

C. W. BILL YOUNG

MEMBER

COMMITTEE ON

APPROPRIATIONS

PERMANENT SELECT

COMMITTEE ON

INTELLIGENCE

Mr. Robert S. McNamara  
President  
The World Bank  
Washington, D.C. 20433

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Thank you for your consideration of this matter. With best wishes and personal regards, I am

Very truly yours,

*C. W. Bill Young*

INCOMING MAIL UNIT

C. W. Bill Young  
Member of Congress

1979 JUL 16 PM 4:08

RECEIVED

CWY:jc